

Message Text

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65

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

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FM AMCONSUL BOMBAY

TO SECSTATE WASHDC 6149

INFO AMEMBASSY NEW DELHI

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS BOMBAY 0354

E. O. 11652: N/A

TAGS: EAIR, IN

SUBJ: AIR-INDIA DROPS CONCORDE OPTION & DEFERS PURCHASE

OF SIXTH BOEING 747

1. AN OFFICIAL OF AIR-INDIA (AI) IN BOMBAY CONFIRMED NEWS REPORT THAT AI HAS GIVEN UP ITS OPTION ON CONCORDE AND DOES NOT PLAN TO BUY CONCORDE IN FORSEEABLE FUTURE. TIMES OF INDIA REPORT OF FEBRUARY 8 QUOTED AI MANAGING DIRECTOR, K.K. UNNI, AS STATING IN CALCUTTA ON FEBRUARY 7 THAT AI HAD WITHDRAWN DEPOSIT MADE EARLIER FOR THE OPTION. ACCORDING TO MR. UNNI, THE CONCORDE "MIGHT BE A TECHNOLOGICAL WONDER" BUT INHERENT FACTORS SUCH AS UNIT COST (ABOUT \$70 MILLION NOW COMPARED TO \$13 MILLION ESTIMATED IN 1964) AND FUEL COST (FOUR TIMES AS MUCH AS FOR "WIDE-BODIED AIRCRAFT LIKE BOEING 747") MAKE IT "UNECONOMIC" FROM OPERATIONAL POINT OF VIEW.

2. REFERRING TO MR. UNNI'S STATEMENT THAT AI IS CONSIDERING A PROPOSAL TO PURCHASE A SIXTH BOEING 747, THE AI OFFICIAL SAID THAT THE MATTER WAS DISCUSSED WITH GOI MINISTRIES AND IT WAS AGREED THAT THE QUESTION WOULD BE TAKEN UP AFTER STUDYING THE PERFORMANCE OF THE FIFTH

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BOEING 747 RECEIVED IN DECEMBER 1975, WHICH INCREASED AI

TOTAL SERVICE CAPACITY BY 19 PERCENT. BEGINNING APRIL 1976, AI PROPOSES TO OPERATE TWO BOEING 747 SERVICES A WEEK TO AUSTRALIA AND ALSO TO INCREASE THE FREQUENCY OF JUMBO SERVICES TO LONDON BY AN ADDITIONAL WEEKLY FLIGHT.

3. THE AI OFFICIAL NOTED THAT THE GROWTH OF TRAFFIC VOLUME, PARTICULARLY ON THE BOMBAY-LONDON-NEW YORK SECTOR, HAS BEEN VERY SATISFACTORY AND IF THIS TREND CONTINUES IT WILL BE NECESSARY TO THINK OF AUGMENTING THE AI FLEET. HOWEVER, UNLIKE IN THE DAYS OF THE BOEING 707 PURCHASE, AI IS NO LONGER ABLE TO FINANCE THE PURCHASE OF NEW AIRCRAFT FROM ITS OWN RESOURCES BUT MUST LOOK TO THE GOI FOR FINANCIAL ACCOMMODATION. IN VIEW OF THIS, CAREFUL STUDY MUST BE MADE BEFORE DECIDING TO PURCHASE THE SIXTH BOEING 747. HE SAID THAT, AS IN THE CASE OF PREVIOUS BOEING PURCHASES, CREDITS FROM EXIMBANK AND US COMMERCIAL BANKS WOULD BE NECESSARY IF IT WAS DECIDED TO PURCHASE A NEW CRAFT. IN REPLY TO OUR QUESTION, THE OFFICIAL SAID THAT IT MIGHT BE POSSIBLE TO COMMENT MORE FIRMLY ON THE PURCHASE OF NEW AIRCRAFT IN SIX MONTHS WHEN RESULTS OF THE AI OPERATIONS IN THE BOMBAY-LONDON-NEW YORK SECTOR WOULD BE KNOWN.

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